

**Action on Smoking & Health (Alberta)  
Coalition québécoise pour le contrôle du tabac  
Ontario Campaign for Action on Tobacco  
Physicians for a Smoke-Free Canada**

**ULTIMATE HYPOCRISY: TOBACCO COMPANIES FIGHT TOBACCO TAXES WHILE  
HIKING CIGARETTE PRICES**

**Thursday, January 17, 2019**

OTTAWA - New data supplied by Health Canada reveals that tobacco companies have repeatedly hiked cigarette prices for several years while simultaneously fighting off federal and provincial tobacco tax increases. The price increases amount to over sixteen dollars per carton since 2013 and, going forward, they will represent over two billion dollars in lost revenue annually to the federal and provincial governments. Since 2013, the additional revenue of the companies has totalled \$4 billion.

“The tobacco companies are playing Canadian finance ministers for dupes by fighting tobacco tax increases and pocketing billions in foregone tax revenue obtained through substantial price increases” said Les Hagen, executive director for Edmonton-based Action on Smoking and Health. “Federal and provincial governments are burdened with the enormous healthcare costs resulting from tobacco use and they should not allow tobacco companies to rob them of valuable revenue to defray these costs.”

“Finance ministers should respond with tobacco tax increases that will match or exceed industry price increases in their forthcoming 2019 budgets. Tobacco companies should not be allowed to cash in on their objectionable efforts to derail tobacco tax increases.”

Frequent tobacco industry demands that provincial governments reduce the availability of contraband (untaxed) tobacco – especially in Ontario and Quebec – is another example of hypocrisy. “For years now, Ontarians have heard companies and their retail front groups demand that taxes must not increase in order to reduce contraband. Last fall, they helped convince the Ford government to cancel a planned \$4 per carton tax increase. They claim organized crime is behind contraband. They say nothing about their own price increases – as if company price increases don’t affect contraband levels, but tax increases do. It’s time for the Ontario and Quebec governments to reject this industry deceit and hypocrisy and raise taxes to deter tobacco use,” said Michael Perley, Director of the Ontario Campaign for Action on Tobacco.

A report commissioned by Health Canada in 2016 concluded that the federal and provincial governments must substantially increase tobacco taxes in order to meet the new national target of reducing smoking rates to five percent by 2035. The author of the report—Dr. David Levy of Georgetown University—recommended that Canadian governments raise cigarette taxes to represent 80 percent of the final retail price. Currently tobacco taxes represent only about two-thirds of the total retail price of cigarettes.

But that two-thirds average is far from uniform. Tobacco companies deliberately blunt the effect of cigarette taxation by charging less for some brands and more for others. For example, in Quebec, the 5 most expensive brands are 2.5 times more expensive than the 5 cheapest brands. Standardized cigarette pricing is needed to stop tobacco companies from using price manipulation to reduce the effectiveness of tobacco taxation.

“The only way to effectively prevent the companies from using this type of price manipulation is to impose standardized pricing on tobacco products,” said Flory Doucas, co-director of the Quebec Coalition for Tobacco Control.

“Canadian governments need to impose significant tax increases on cigarettes if they have any hope of reaching the 2035 smoking target” said Neil Collishaw, research director for Physicians for a Smoke-free Canada. “By taking a restrained approach to tobacco taxation, Canadian governments are not taking this target seriously and they are allowing tobacco companies to skim billions from their treasuries. This revenue should be used to fund bold and innovative efforts to achieve the 2035 target of less than 5%.”

Provincial governments are currently suing tobacco companies to recover decades of health care costs resulting from industry negligence and deception. Ironically, the same governments are watching these companies skim billions in foregone tobacco revenue from their treasuries. In another report commissioned by Health Canada in 2017, the Conference Board of Canada estimated that tobacco use in Canada results in 45,000 deaths and \$16 billion in direct and indirect economic costs each year.

Les Hagen called on provincial and finance ministries to give this issue their urgent attention. “It’s deplorable that Canadian governments are suing tobacco companies for billions in health care costs while allowing the same companies to bilk them out of billions in precious tobacco revenue. When will the federal and provincial governments wake up and blow away the smokescreen? Tobacco companies must be held fully accountable for their deceptive practices including their efforts to thwart tax increases.”

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